

12

## OIL AND GAS LEASE

This Oil and Gas Lease (this "Lease") is dated July 22, 2008 and is between: **Stockyard Properties, Inc.** (hereafter called "Lessor," whether one or more), and **Dale Property Services, LLC** (hereafter called "Lessee"), whose address is 2100 Ross Ave., Ste. 1870, Dallas, Texas 75201.

1. **Grant.** In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the land described in attached Exhibit A (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil and gas, laying pipelines and building roads and tanks thereon to produce, save, treat, process, store, and transport oil and gas and other products manufactured from oil and gas produced from the Land.

2. **Primary Term.** This Lease is for a term of three (3) years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land in paying quantities or this lease is otherwise maintained according to the provisions herein.

3. **Minerals Covered.** This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore.

4. **Royalty.**

a. As royalties, Lessee agrees:

i. To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, one-fourth (1/4) (the "Royalty Fraction") of all oil and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons produced and sold from the Land.

ii. To pay to Lessor:

(1) On gas produced from the Land and sold by Lessee or used off the Land and to which the following subparagraphs (2) and (3) do not apply, the Royalty Fraction of the market value at the point of sale, use, or other disposition.

(2) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest,

the higher of the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(3) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

b. The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, then the reimbursement will be added to the total proceeds received by Lessee.

c. Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the Land or any part of the costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of oil or gas incurred on the Land or incurred prior to the sale of such oil and gas to the first non affiliate of Lessee.

d. Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will only receive its Royalty Fraction of any payments made for make-up gas taken pursuant to the take-or-pay provision or similar provision.

e. If oil or gas produced from the Land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and the contract provides for net proceeds to be paid to Lessee that equal or exceed the market value of the gas at the point of delivery to the purchaser at the time the contract is made, and for a

term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the oil or gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above.

f. As used in this paragraph, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns all or a portion of Lessee or in which Lessee owns all or a portion of such entity; or (ii) a corporation, joint venture, partnership, or other entity that has common ownership with Lessee.

g. Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days after the month of completion of the well, in the case of an oil well, or after the month of the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay.

h. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor.

i. The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

**5. Shut-in Royalty.** After the Primary Term, if there is a gas well on this Lease capable of producing in paying quantities, but gas is not being sold and this Lease is not otherwise being maintained, Lessee shall pay or tender in advance an annual royalty of \$5,000 for each well from which gas is not being sold. Payment with respect to a well will be due within 90 days after the well is shut-in. While royalty payments are timely and properly paid, this Lease will be held as a producing lease. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to five (5) cumulative years. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the

check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

**6. Continuous Operations.** a. If within 180 days before or at the expiration of the Primary Term Lessee is conducting operations in an effort to obtain production in paying quantities from the Land, the Lease shall remain in force as to all acreage and depths as long as there is no lapse of more than 180 days between the completion of one well and the commencement of the actual drilling of another well. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of operations for more than 60 consecutive days. For the purpose of computing the time for the commencement of actual drilling of a well, each well will be deemed to have been completed on the date as shown on the completion report for the well, the date the well is "fraced", or 60 days after the release of the drilling rig from the drillsite, whichever occurs first.

b. If at any time the maximum time for the commencement of the actual drilling of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling, this Lease will terminate except as to the acreage included within a proration unit or pooled unit surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties and the Lease will then terminate as to all depths below 100 feet below the stratigraphic equivalent of the base of the deepest producing formation in the proration unit or pooled unit. If production from a proration unit or pooled unit ceases from any cause, this Lease will terminate as to that tract unless Lessee commences operations for drilling or reworking on the tract within ninety (90) days after the cessation of production, in which case the Lease as to that tract will continue in force as long as the operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in production, so long thereafter as there is production from the tract.

c. The proration unit for each well may include up to the entire Land covered by this Lease. Within 60 days after the last to occur of the expiration of the Primary Term or the continuous drilling program, Lessee must file in the county records and furnish to Lessor a document designating each proration unit or pooled unit and the retained depths thereunder and releasing all other depths and acreage. If Lessee fails to file timely a required document after 60 days prior written notice from Lessor, then Lessor may do so, and the filing will bind Lessee.

7. **Pooling.** Lessee is hereby granted a limited right to pool or unitize the lands covered by this Lease with other lands, leases, mineral estates or parts thereof for the production of oil and/or gas. If this Lease is pooled, all of the land covered by this Lease must be included in such pooled unit.

Units pooled for oil or gas shall contain no more than the minimum number of acres necessary to obtain the maximum allowable, or if a maximum allowable is not able to be calculated, the minimum number of acres permitted for such well under the field rules established by the Texas Railroad Commission or any other regulatory agency having jurisdiction. In the absence of field rules, a unit pooled for oil or gas shall be no more than forty (40) acres.

As used in this lease, the term "horizontal well" means one that meets the definition of a "horizontal drainhole well" under statewide Rule 86 of the Railroad Commission of Texas and a "vertical well" is a well that is not a horizontal well. It is contemplated that Lessee will explore the Barnett Shale formation. Notwithstanding the restrictions on the size of pooled units described above or the restrictions on the size of proration units in Section 6, the size of a pooled unit for a horizontal well producing from the Barnett Shale formation shall not exceed 320 acres. Acreage covered by this Lease within a pooled unit shall be subject to the depth limitations under Section 6(b) and 6(c) above.

Lessee shall file a Declaration of Pooled Unit in the county either before or after the completion of the well. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land covered by this Lease. The entire acreage pooled in the unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this Lease. In lieu of the royalties herein provided, Lessor shall receive on production from a unit so pooled only such portion of the royalties stipulated herein as the amount of Lessor's acreage placed in the unit on an acreage basis bears to the total acreage so pooled in a particular unit involved.

If Lessee desires to establish a larger pooled unit than authorized under this Section 7, Lessee may submit to Lessor its proposal for a larger unit for Lessor's consideration and approval.

8. **Offset Wells.** In the event a well (an "offsetting well") producing oil or gas is completed on adjacent or nearby land and is draining the Land, Lessee must, within one hundred, eighty (180) days after the initial sales from the offsetting well, commence operations for the drilling of an offset well on the Land and must diligently pursue those

operations to the horizon in which the offsetting well is producing, or at the option of Lessee: (i) execute and deliver to Lessor a release in recordable form of the acreage nearest to the offsetting well limited to the formation being produced by the offsetting well; or (ii) pay Lessor as a royalty each month a sum equal to the royalty that would be payable under this Lease if the production from the offsetting well had come from the Land. The obligation of Lessee to either drill an offset well, release acreage or pay compensatory royalty as required above shall not apply if the acreage covered by this Lease is already held by production or operations. An offsetting well producing from a bottom hole location closer than 330 feet of the Land shall be presumed to be draining the land.

9. **Secondary Recovery.** Lessee will not implement any repressuring, pressure maintenance, recycling, or secondary recovery operations without the prior written consent of Lessor, which consent will not be unreasonably withheld.

10. **Fixtures.** While Lessee is not in default under this Lease, and except as otherwise provided, Lessee will have the right at any time within three months after the expiration of this Lease to remove all property and fixtures placed by Lessee on the Land, including the right to draw and remove all casing. At Lessor's option, all property and fixtures will become the property of Lessor if not removed within the permitted period. Lessee may not remove any gates or cattle guards that it has installed unless required by Lessor.

11. **Surface Operations.** Lessee shall have no right to use the surface of the Land for Lessee's oil and gas operations under this Lease or otherwise. Lessee further agrees that it will not conduct oil and gas operations on the surface of the Land under the authority of any other oil and gas leases covering portions of the mineral interest in the Land.

Lessee shall have no water rights in the Land.

12. **Right to Participate.** Lessor has the right to participate as a working interest owner in wells drilled on the Land and acreage pooled with the Land according to the terms of the Letter Agreement of even date between Lessor and Lessee which is incorporated herein by reference.

13. **Assignments.** Lessor is granting rights to Lessee that Lessor would not grant to others. Therefore this Lease and any interests therein and the rights and interests in the Land may not be assigned in whole or in part, directly or indirectly, without the prior written consent of Lessor, which may not be unreasonably withheld, provided however, it

is reasonable for Lessor to withhold such consent if in the judgment of Lessor the assignee does not have the financial resources to prudently develop the Land or does not possess a good business reputation in the Barnett Shale Play, or is not a skilled and prudent operator. Lessor's consent to any assignment shall not constitute consent to any other assignment.

14. **Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be suspended for up to five years; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land for up to five years; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, any federal or state law, or any other, rule, or regulation of governmental authority, or other cause (other than financial reasons) beyond Lessee's control such as shortages or inability to obtain necessary materials, equipment or services. This paragraph is, however, in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties.

15. **No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties and other payments payable hereunder will be reduced proportionately.

16. **Curing Defaults.** Should Lessee at any time fail to comply with its obligations hereunder regarding construction, maintenance, or repair within 30 days after written notice from Lessor, Lessor will have the right to do or have done whatever is necessary to fulfill the obligations to its satisfaction, and Lessee shall be liable to Lessor for the reasonable and necessary expenses thus incurred by Lessor plus an additional 25% of such costs, to be paid within ten days after Lessor furnishes to Lessee an itemized written statement of the expenses.

17. **Notices.** All notices will be deemed given and reports will be deemed delivered if sent by certified letter, properly addressed and deposited in the United States mail, postage prepaid, to Lessee at the addresses shown above and to Lessor as follows:

Stockyard Properties, Inc.  
c/o Alice Walters  
6100 Valley View Dr.  
Fort Worth, Texas 76116

18. **Attorney's Fees.** In the event that either party shall be required to employ legal counsel for the enforcement of any provision of this Lease and prevails, the prevailing party will be entitled to recover from the non-prevailing party reasonable attorney's fees and expenses incurred .

19. **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability for bodily injury and property damage with a limit of \$5,000,000, blowout and loss of well coverage with a limit of \$3,000,000, and coverage for any damage to the environment resulting from a blowout, including coverage for the cost of clean up and surface remediation, with a limit of \$10,000,000. The policies shall show Lessor and the owner of the surface of the Land as additionally insured parties. Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage prior to conducting any operations.

20. **Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND THE SURFACE OWNER AND THEIR REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE INCLUDING THOSE FOR INJURY TO OR DEATH OF PERSONS, LOSS OR DAMAGE TO PROPERTY, TRESPASS OR NUISANCE, AND INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY, OR RESULTING FROM LESSEE'S OPERATIONS ON THE LAND, LESSEE'S MARKETING OF PRODUCTION FROM THE LAND, OR ANY VIOLATION OF ANY LAW, RULE, REGULATION OR ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" AND "SURFACE OWNER" INCLUDES THEIR AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.



**21. Miscellaneous Provisions.**

a. In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall promptly furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

b. Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

c. Lessee will give Lessor at least five days prior notice in writing before conducting drilling, recompletion, or reworking operations on the Land. Lessee shall furnish to Lessor copies of applications to drill, well tests, daily drilling reports, completion reports, plugging records, and production reports. Lessor has the right, personally or by representative, at Lessor's risk, of access to the derrick floor to observe all operations on all wells drilled on the Land. Lessor will have the right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests, and Lessee agrees to furnish Lessor with copies of all logs and surveys taken promptly after taking them. Lessee will divulge to Lessor correct information as to each well, the production therefrom, and such technical information as Lessee may acquire. Lessor has the right to be present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request. Lessor shall keep all such information confidential.

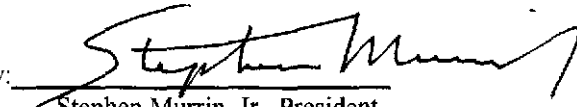
d. The term "production" means production in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document. Under no circumstances may Lessee, its agents, employees, or contractors bring firearms or dogs or other animals on the Land or hunt or fish on the Land. Lessee agrees to furnish to Lessor a copy of each title opinion or report obtained by Lessee that covers all or any part of the Land together with a copy of each title curative document obtained by Lessee

e. This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

Executed to be effective on the date first written above.

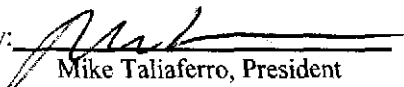
**LESSOR:**

**STOCKYARD PROPERTIES, INC.**

By:   
Stephen Murrin, Jr., President

**LESSEE:**

**DALE PROPERTY SERVICES, L.L.C.**

By:   
Mike Taliaferro, President

**ACKNOWLEDGMENTS**

STATE OF TEXAS     )  
                              )  
COUNTY OF TARRANT)

This instrument was acknowledged before me on this the 22 day of July, 2008, by Stephen Murrin, Jr.,  
President of Stockyard Properties, Inc., on behalf of said entity.

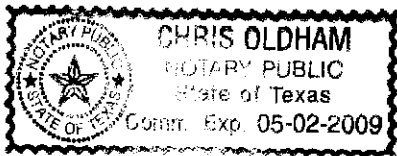


Chris Oldham  
Notary Public, State of Texas

**ACKNOWLEDGMENTS**

STATE OF TEXAS     )  
                              )  
COUNTY OF TARRANT)

This instrument was acknowledged before me on this the 22 day of July, 2008, by Mike Taliaferro,  
President of Dale Property Services, L.L.C., a Texas limited liability company, on behalf of said company.



Chris Oldham  
Notary Public, State of Texas

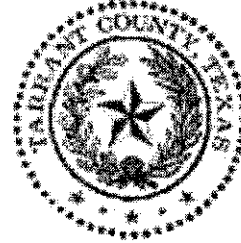
## **EXHIBIT "A"**

**.825 acres**, more or less, out of the Exchange Subdivision. M.G. Eliis Addition, and the Googins Subdivision, all additions to the City of Fort Worth, Tarrant County, Texas, more particularly described as follows:

Tract 1: **.33 acres**, more or less, being Lots 4, 5, 6, 7, and 8, Block 20 of the Exchange Subdivision, an addition to the City of Fort Worth, Tarrant County, Texas, more particularly described by metes and bounds in that certain Plat map recorded in Volume 204, Page 69 of the Plat Records, Tarrant County, Texas.

Tract 2: **.35 acres**, more or less, being the South 10' of Lot 21 and all of Lots 22 and 23, Block 20 of the M. G. Ellis Addition, an addition to the City of Fort Worth, Tarrant County, Texas, more particularly described by metes and bounds in that certain Plat map recorded in Volume 63, Page 19 of the Plat Records, Tarrant County, Texas.

Tract 3: **.145 acres**, more or less, being Lot 10 and the North 5' of Lot 11, Block 217 of the Googins Subdivision of Block 217 and 218, North Fort Worth Addition, an addition to the City of Fort Worth, Tarrant County, Texas, more particularly described by metes and bounds in that certain Plat map recorded in Volume 106, Page 111 of the Plat Records, Tarrant County, Texas.



DALE RESOURCES LLC  
2100 ROSS AVE STE 1870 LB-9

DALLAS TX 75201

Submitter: DALE RESOURCES LLC

---

SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 06/24/2009 02:33 PM  
Instrument #: D209168045  
LSE 13 PGS \$60.00

By: \_\_\_\_\_



**D209168045**

**ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.**

Printed by: MV